



Current approaches inadequate for assessing future longevity: robust, predictive approaches using forward-looking scenarios are needed, says Swiss Re report

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**Zurich, 1 September 2011- The substantial increases in life expectancy witnessed in recent decades have been consistently underestimated, a new Swiss Re research report reveals. The good news that people are living longer has brought with it a massive pension shortfall, which has been exacerbated by traditional methods of forecasting longevity not taking account of certain emerging trends.**

"The failure to consider future drivers of mortality in historical predictions contributed to employer pension funds under-reserving for longevity risk and other bodies, including governments, not budgeting effectively for funding an ageing population," explains Daniel Ryan, head of life and health research and development at Swiss Re.

An essential element of managing longevity risk will be the development of robust, predictive approaches, states Swiss Re's latest publication, "A window into the future: Understanding and predicting longevity." Such approaches would use forward-looking scenarios based on social factors, medical treatments and preventative approaches that influence disease.

The report presents the building blocks for this type of disease-centred model and calls on experts from multi-disciplinary backgrounds – including medical experts, actuaries and demographers – to work together towards a greater understanding of potential future developments in human longevity.

The report recommends that pension plans assess their exposure to longevity risk and decide whether to pass it on to a third party that is better equipped to take on the risk. It also suggests that insurers can work in partnership with reinsurers to develop robust approaches to mitigating longevity risk.

"An improved approach to assessing future longevity is one of the essential components in creating an overall solution to the financial effects of ageing societies. It is only through public and private bodies working together that the wider issue of a sustainable infrastructure for long-term retirement provision can be created. Reinsurers with appropriate capacity, who invest in longevity research and development, can play an important role in helping defined benefit pension funds and insurers manage their longevity risk," comments Alison Martin, Swiss Re's head of life and health products.



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